A QUARTERLY PUBLICATION FROM THE ACCOUNTING DIVISION OF WASHINGTON STATE'S OFFICE OF FINANCIAL MANAGEMENT

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If you have questions or comments on any information contained in *The Connection*, please contact Vivian Pendleton at (360) 664-7654 or email: vivian.pendleton@ofm.wa.gov



The National Automated Clearing House Association (NACHA) has declared May as National Direct Deposit and Direct Payment Month. They encourage payroll and accounting offices to "plant the benefits of Direct Deposit and Direct Payment" with employees and vendors. These benefits include safety, security and convenience.

This is a great opportunity for Payroll offices to encourage employees who are still receiving paper warrants to sign up for direct deposit of payroll. (Note employee EFT requirements in WAC 82.20.040). Accounts payable staff are encouraged to continue promoting EFT to vendors and employees who receive travel and other reimbursements and also to utilize statewide vendors whenever possible. This push toward electronic payments is in line with the

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Legislature Gives OFM New Responsibilities

The 2002 Legislature has left town, but not without assigning the Office of Financial Management significant new responsibilities ranging from negotiating labor agreements, under the new collective bargaining law, to overseeing reviews of incidents in which it is alleged that someone has been killed or injured as a result of a state agency's actions. Here's a rundown on how this year's legislative session affects OFM.

Collective Bargaining

One of the most significant actions taken by the 2002 Legislature was approval of collective bargaining for employees under the state civil service

system. Under the new law, wages, hours and other terms and conditions of employment are mandatory subjects for bargaining between the state and bargaining units representing classified employees, including those working at state colleges and universities. The new legislation takes effect July 1, 2004.

In negotiations with bargaining units, OFM will represent the governor, whose final decisions on labor contracts are subject to approval by the Legislature. Details of how OFM will perform that role still are being discussed. However, it is likely that the OFM director would appoint a chief negotiator for the state, and the chief negotiator would contract with other negotiators who would bargain on behalf of the state with individual employee bargaining units.

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Risk Management Office Transferred to OFM

To elevate the visibility and the state's risk management activities, new legislation transfers from General Administration to OFM all the powers, duties, functions, funds and personnel of the Risk Management Office. However, the office will not change its location and no immediate impacts on staff are expected.

Loss Prevention Review Teams

Responding to increasing liability of the state for injuries and losses stemming from operation of state programs, the Legislature approved a bill that requires the OFM director to appoint a "loss prevention review team" whenever it is alleged or suspected that actions of a state agency caused the death or serious injury of a person, or other substantial loss.

The Risk Management Task Force, sponsored by Gov. Gary Locke and Attorney General Christine Gregoire, recommended the review team concept. The purpose of the task force was to identify how the state can deliver its difficult and risky programs and services in ways that better protect state citizens from harm or injury.

The team must review the incident, evaluate its causes and recommend steps to reduce the risks of such incidents. The OFM director must make the final report of a loss prevention review team public.

A major objective of the legislation is to protect the state from additional liability resulting from a state investigation of an incident that is intended to prevent similar incidents in the future. The final report of a loss prevention review team is not admissible as evidence in a civil court proceeding, although it may be used for the purpose of impeaching a witness.

An agency that is reviewed by a loss prevention team must respond to its

findings within 120 days. The agency response will indicate which of the report's recommendations the agency hopes to implement, whether implementation requires additional funding or legislation, and other information the OFM director may require.

Fiscal Impacts for Ballot Measures

OFM has provided detailed fiscal analysis of ballot measures in the past in response to requests for the information. The new legislation now formally requires from OFM a fiscal impact statement on any initiative to the people, initiative to the Legislature, alternative legislative measure or referendum measure that qualifies for the ballot.

The fiscal impact statements must describe projected increases or decreases in revenue, costs, expenditures or indebtedness that state or local governments will experience if voters approve the ballot measure.

A fiscal impact statement must include a 100-word summary and a more detailed statement that includes the assumptions made to develop the statement. The 100-word summary must be printed in the voters' pamphlet and posted on the Secretary of State's website.

Performance Audits

OFM will receive \$350,000 to assess and score performance of all state agencies and report to the Governor, Legislature and public by Nov. 30, 2002. In addition, OFM is to conduct two system-wide performance audits. One would focus on state capital construction practices — buildings, highways, architecture and engineering. At minimum, the Department of Transportation, General Administration and higher education agencies would be sampled.

OFM's second performance-audit responsibility would focus on state personal service and other contracting practices. Reports on construction and contracting practices are due to the Governor and Legislature by Nov. 30, 2002.

Personal and Client Services Contracts

New legislation requires OFM to adopt uniform guidelines for the effective and efficient management of personal service contracts and client service contracts by all state agencies. The guidelines must cover subjects relating to effective and efficient management including accounting methods, performance measures and contract monitoring.

Agencies entering into personal service and client service contracts after Jan. 1, 2003, must follow the OFM guidelines. Agencies must provide OFM a report detailing the procedures used in entering into, and managing, the contracts. And OFM must conduct risk-based audits of personal service and client service contracting practices.

OFM also must provide a training course on effective and efficient contract management. All agency employees executing or managing personal service or client service contracts must have completed the training by Jan. 1, 2004.

State Library

Responsibility for operation of the State Library is transferred by the Legislature to the Secretary of State. The Governor's Emergency Fund has been provided with \$8.7 million, of which up to \$5.3 million is appropriated for costs associated with transfer of the library to the Secretary of State. OFM will be responsible for determining how this funding is allocated.

Drug Offender Sentencing Review

New legislation requires participation by an OFM designee on a panel charged with developing a methodology for calculating projected biennial savings resulting from implementation of reduced sentences for non-violent drug dealers. A portion of savings goes to counties for drug treatment programs. Other participants on the panel will include representatives of the Department of Corrections, Sentencing Guidelines Commission and the Caseload Forecast Council. The panel

is required to submit the methodology to the Legislature by Sept. 1, 2002.

Permit Assistance Center

Under HB 2617, the Permit Assistance Center is transferred from the Department of Ecology to OFM and reconstituted as the Office of Permit Assistance (OPA). The OPA will help individuals and businesses sort through the project permit process. The physical location of the OPA will remain at Ecology. OFM will sign an interagency agreement with Ecology to run the office, although it will be administered by the Governor's office.

Salmon Team

The final legislative budget significantly reduces funding for the Governor's Salmon Recovery Office. Funding for the office is reduced from \$600,000 per year to \$200,000 a year. An additional \$225,000 for the office was also removed from the departments of Fish and Wildlife and Ecology. OFM is working with the office to determine options for a scaled-down operation.

Direct Deposit (continued from page 1)

state of Washington "BEST PRAC-TICES RECOMMENDATIONS" memo that came out in December 2001 from the directors of the four central service agencies (Office of Financial Management, General Administration, Department of Information Services, and Department of Personnel). To find out more about "Best Practices" visit http://www.wa.gov/dis/bestpractices/ ofmbestpractices.htm.



The Direct Deposit stylized "D" logo (above) was developed several years ago to provide a visual symbol of direct deposit/direct payment services. The "D" logo is a registered trademark of the Federal Reserve Bank of Atlanta. OFM has registered on behalf of the state of Washington to use this logo on promotional materials. To obtain the logo and get ideas about ways to use it, visit www.directdeposit.org. To learn about NACHA and see their promotional materials, visit www.nacha.org.

Start Saving Money Now!

As we all look for ways to save money and help our agencies cope with these difficult economic times, the Office of Financial Management (OFM) offers several 'best practice,' cost-cutting suggestions in conjunction with *National Direct Deposit and Direct Payment Month*.

■ Encourage your employees to authorize payment by EFT for both payroll and expense reimbursements, if they have not already done so. Today almost 80% of all state employees have selected direct deposit as their preferred payment

Has your agency reached this goal? If you have, can you increase participa-

tion even more?

Note: Employees must be signed up for payroll direct deposit before they can take advantage of EFT for travel and other reimbursements, so encourage them to sign up for both.

■ Make sure that all your inter-agency payments are electronic. Section 85.36.10 of the *State Administrative and Accounting Manual* (SAAM) states that all agencies must use the most cost effective means available for disbursements.

Is your agency in complete compliance with this policy?

- Request your vendors to contact OFM to register as statewide vendors (SWV)and sign up for EFT payment. Have them contact Pam Johnson, Vendor Relations, at (360) 664-7740 for registration information. Almost half of vendor payments are still being made by hand-stuffed paper warrants, the highest cost payment method.
 - An agency can save as much as \$0.80 per payment if it is made electronically. Some agencies are requiring registration and EFT as a prerequisite for doing business with the vendor. Is your agency actively promoting vendor registration and EFT payments from your vendors?
- Direct your Accounts Payable staff to <u>always</u> use the SWV when available instead of an agency vendor. Today there are over 10,000 registered SWVs and the list continues to grow. Selecting SWVs automatically pays them by the least expensive method acceptable to the vendor, at a substantial savings to both agencies and our taxpayers.

 Is your agency selecting SWVs whenever possible?
- Request OFM to "block" all of your agency vendor file records for those vendors who are already registered as SWVs.
 - **Note:** OFM has already started this process by blocking agency vendor records statewide, for selected vendors who prefer electronic payment.
- Request OFM to do a global update of your Warrant Type fields from R(egular) to I(nserted) for all remaining agency vendors. You can then update the field back to R for certain vendors who absolutely must receive a hand-stuffed paper warrant.

For more information, contact Bruce Gorsky at bruce.gorsky@ofm.wa.gov / (360) 664-7690 or Cheryl Hainje at cheryl.hainje@ofm.wa.gov / (360) 664-7691. For payroll-related direct deposit questions, contact Millie Lund at millie.lund@ofm.wa.gov / (360) 664-7678.

CAFR Training

Spring is here and now is a good time to think about the fiscal year-end cutoff and closing process. Two training classes which focus on year-end activities (one is high-level, the other is more in-depth) will again be available.

Note: Due to the implementation of the new GASB Statement 34, there are more changes than usual this year. Fiscal Officers and/or agency staff using the monthly CAFR reports and those who will be filling out the year-end disclosure forms, are encouraged to attend.

The CAFR – Update class is designed for state accounting and fiscal personnel who are knowledgeable in fiscal year-end financial reporting. This class presents a high-level overview of changes to the cutoff and closing procedures, disclosure forms, and the closing schedule.

The CAFR – Introduction class is designed for state accounting and fiscal personnel who will be actively involved with fiscal year end financial reporting for the first time. This class delivers an in-depth look at the fiscal year end reporting process, covering accrual, adjustment, and closing processes. It also covers disclosure forms, AFRS and CAFR reports, and the closing schedule.

Both classes will cover AFRS' processing issues and transaction code usage at fiscal year end. For dates and locations for these training classes, please refer to the OFM Accounting Spring Training Catalog at: http://www.ofm.wa.gov/training.htm.

For experienced AFRS users, the handouts from the Update class will be available June 3, 2002, from the AFRS Documentation Request Screen RR.4, and the Administrative & Accounting Resources website at http://www.ofm.wa.gov/policy/resource.htm. For further information, please contact James Scheibe at james.scheibe@ofm.wa.gov/ / (360) 664-7681.

CAFR Time is Just Around the Corner

Consistent with last year, agencies will be required to submit the State Disclosure Forms electronically. The disclosure form database (MS ACCESS 2000) will be distributed in August 2002. All disclosure forms must equal what is in AFRS.

Important CAFR cut-off dates:

July 31 - Phase 1 – Agency Accruals September 13 - Phase 2 – Agency Adjustments September 25 – Due date for State Disclosure Forms October 10 - Phase 3 – Audit Phase

The Phase 2 cutoff for agency adjustments is much more critical to the timing of the entire CAFR process due to the additional reporting requirements of GASB Statement 34. We appreciate your efforts in meeting this deadline and recommend the following actions:

- Begin your adjustment process early. Even before year-end, you should begin the review of your CAFR reports and analysis of your general ledger account balances.
- Review your adjusting entries posted after Phase 2 in prior years, if any, and address those areas early.
- Draft your federal and state disclosure forms before the close of Phase 2 so that if adjustments are necessary, you will still have the opportunity to record them.

Federal Reporting is Also Approaching: Reporting Remains Unchanged

At this point in time, the reporting of FY2002 expenditures of federal awards remains virtually unchanged from FY2001. Minor changes may be made after the federal government publishes its annual update to the Compliance Supplement (anticipated later this Spring).

State agencies and institutions are encouraged to use the electronic reporting module provided by OFM. The due date for submittal of FY2002 federal financial information is **September 20, 2002**.

Please refer to the OFM Accounting Spring Training Catalog for a description of the Federal Financial Assistance Workshop on completing the reporting requirements. You can access the catalog at: http://www.ofm.wa.gov/training.htm. Workshops will be offered:

Olympia May 16 and June 25 Seattle TBA

If you have any questions, please contact Norm Johnson at norm.johnson@ofm.wa.gov / (360) 664-7676.

Fastrack - Release 8

The FASTRACK Team completed the evaluation of the Crystal Info reporting software upgrade in February.

We would like to extend our appreciation and thanks to those of you who participated in the pre-demo sessions of the upcoming software changes, and provided us with valuable feedback.

As result of the team's evaluation and our customer feedback, we are proceeding with the software and hardware upgrades.

The team is also moving forward with coding changes for each existing report, and beginning the test plan development. Any new reports and/or feature enhancements will be on hold until the software upgrade is completed.

Our estimated implementation date for the upgrade is sometime in May 2002. Our goal is to avoid promoting these changes during the week before or after the AFRS cut-off.

The team will be working on documentation for these changes and provide a "Quick Reference" sheet as a guide in using the new Free-Form Input parameters.

We will try to schedule some training sessions before moving into production. We will also have more specifics to share with you through e-mail as the date draws closer.

For more information or questions, please contact Muoi Nguy at muoi.nguy@ofm.wa.gov / (360) 664-7699.

FASTRACK Upgrades

For customers who could not make it to the demo sessions, the following is a summary of what you can expect from the software upgrades.

Visible Features to the Customers:

- Free-Form Input for parameters for Schedule Dialog Screen An extra free-form input parameter will appear to the right of the existing drop-down parameter. This has opened up opportunities for multiple-value input for all account codes, including the lower hierarchical codes, such as sub-program, sub-object, etc.
- Combination of wild cards, lists and ranges will be accepted in the Free-Form Input parameters for multiple-coding input.
- Exports to EXCEL only those rows that were selected during the Select Expert.
- Reports can be run on PDF format or exported to PDF from Crystal.
- PDF reports can be e-mailed to other users who have no access to FASTRACK.
- Legal-size reports run or exported to PDF format can be printed on letter-size paper.

Coding Changes Required for the Conversion:

- Create new editing rules for Multi-Value Input.
- Change all hierarchical account code separators from hyphen (-) to slash (/) so that the hyphen (-) could remain as the range for multiple-coding selection.
- Remove all the current "Multi" coding selection parameters and incorporate them to the new version.
- Revise Input Parameter on all report headings to allow for multi-coding expansion.

Developing CAFR Reports in FASTRACK

We have started the development of CAFR reports in FASTRACK. Several versions of the Trial Balance Report have been promoted to production. These CAFR reports (CAF001 – CAF031, FED001 - FED008, etc.) are currently requested via AFRS

on-demand by each agency. They will become available in phases after the software upgrade is completed.

For more information or questions, please contact Muoi Nguy at muoi.nguy@ofm.wa.gov / (360) 664-7699.



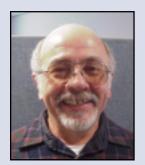
Michelle Salinas joined Small Agency Client Services on February 1, 2002, as a Financial Analyst 1. She assists in providing accounting support to approximately ten agencies. Michelle started as a student co-op for the Office of Superintendent of Public Instructions; accepted a promotion opportunity with the Military Department, and then moved on to the Department of Social and Health Services' Special Commitment Center.

Michelle enjoys spending time with her family, being spoiled, and shopping (mainly for shoes). She can be reached at <u>michelle.salinas@ofm.wa.gov</u> / (360) 664-7664.

Pamela Mahan joined Small Agency Client Services (SACS) on February 1, 2002, as a Financial Analyst I. She provides accounting support to six small state agencies. Prior to joining SACS, Pamela served as a member of the U.S. Army for twelve years, working in the Finance and Accounting Office. She graduated from St. Martin's College in the fall of 2001.

Pamela enjoys being involved in her church, spending time with her family, traveling, camping and reading. She can be reached at pamela.mahan@ofm.wa.gov / (360) 664-7790.





Neal Woodall joined the OFM Support Team on January 7, 2002. He has worked in our local school system as an educational assistant, often in special education and in career development programs, and with Morningside as a job coach for people with developmental disabilities. Neal's duties at OFM run the gamut from maintaining inventory supplies, assisting in internal moves to shepherding our mail systems.

Neal attended North Texas State University, served in the Navy and has lived in Washington State since 1977. He says that while he has enjoyed all of his pursuits, in the depths of his soul his is first and foremost a musician, the guitar is his specialty. Neal can be reached at neal.woodall@ofm.wa.gov / (360) 664-7718.

Pam Johnson joined Statewide Financial Systems on March 1, 2002, as a Financial Analyst. She has eighteen years of state government experience, and most recently worked at the Department of General Administration. Pam will be managing statewide vendor issues and handling daily questions from vendors and agencies.

Pam will also be working on projects to ensure the growth, accuracy and integrity of the statewide vendor file, and to convert vendors to the Electronic Fund Transfer (EFT) payment method. Pam is married and has three children and five stepchildren. She enjoys the outdoors and spending time with her grandchildren. Pam can be reached at Pamela.Johnson@ofm.wa.gov / (360) 664-7740.



AFRS/DRS Tech Notes



OMWBE Reporting System

The OWMBE (Office of Minority and Womens Business Enterprises) Reporting System relies upon agencies to electronically supply pertinent expenditure data during each fiscal year. Agencies that post detail expenditure data into AFRS (Agency Financial Reporting System) can request an automatic report to OMWBE of their data. The source for this data is either AFRS History or DRS (Disbursement Reporting System) History. Agencies that do not post detail expenditure data into AFRS must make separate arrangements with OMWBE to provide the information.

The OMWBE Reporting System receives expenditure reporting data from AFRS and DRS based upon the report selections agencies put into their AFRS Report Request file. The act of adding the appropriate report numbers into the AFRS Report Request file also serves as the agency's permission for release of their AFRS or DRS OMWBE data to the Office of Minority and Womens Business Enterprises. Agency data will not be reported unless the AFRS Report Request file contains the appropriate report numbers.

AFRS History Source for OMWBE:

MWP686 - OMWBE Part 1 data (OMWBE Reporting Base)

MWP687 - OMWBE Part 2 data (OMWBE Exceptions to the Reporting Base)

AFRS History OMWBE expenditures are reported monthly year-to-date. Any correcting transactions for a fiscal year (such as corrections of TIN*, OMWBE Pay Flag or Contract Number) must be completed by the close of the CAFR** Phase 2 adjustments period.

Disbursement History Source for OMWBE:

MWP688 - OMWBE Part 1 data (OMWBE Reporting Base)

MWP689 - OMWBE Part 2 data (OMWBE Exceptions to the Reporting Base)

DRS Disbursement History OMWBE expenditures are reported monthly year-to-date by a re-accumulation of year-to-date transactions. Any online corrections to DRS transactions for a fiscal year (such as corrections of TIN*, OMWBE Pay Flag or Contract Number) can be made until the close of the CAFR** Phase 4.

Agencies reporting from DRS should maintain at least 18 months of data to support fiscal year OMWBE reporting from the beginning of a fiscal year through Phase 4 closing.

Sub-Contractor Source:

MWP686MWP690 - OMWBE Sub-Contractor data reported from the data manually entered by agencies into the OMWBE sub-contractor file.

Sub-contractor payments are reported monthly year-to-date from the agency sub-contractor file. Any additions, deletions or corrections to sub-contractor payments for a fiscal year can be made until the close of the CAFR** Phase 4. Please note that data in this file must be manually input and maintained. There are no AFRS processes that affect this file.

*Taxpayer Identification Number

**Comprehensive Annual Financial Report

Questions about the OMWBE reporting policy should be directed to the Office of Minority and Womens Business Enterprises. Questions about how OMWBE data is reported from AFRS or DRS should be directed to Phil Taylor at OFM Statewide Systems at phil.taylor@ofm.wa.gov / (360) 664-7712.

Thank You!

To our readers!

We would like to take this opportunity to thank our loyal readers and let you know how much we enjoy sharing news and events of mutual interest with you.

Most of you have been with us from the very first edition of *The Connection*, back in the summer of 1995. You have seen the metamorphosis – from a simple black and white format to the more formal layout we use now; from a monthly to a quarterly release; and, beginning with this issue, yet another change.

Because of the tight budget conditions, we will be e-mailing you a direct link to *The Connection* instead of sending out hard copies. This method of distribution will 1) save hundreds of dollars per year, 2) enable us to get it to you quicker and 3) allow you to easily distribute it to others within your agency.

Thank you again for your continued interest, support and feedback.

BASS Updates

Capital Budgeting System

The second release of the Capital Budgeting System (CBS) will be available in mid-May 2002. CBS has been redesigned for easier navigation and improved response time with the removal of the on-line C100. The C100 is now contained in an Excel spreadsheet designed by the OFM Budget Division and is available on-line at <http://www.ofm.wa.gov/capitalforms/c100inst.htm>.

Until the new version is released in May, agencies will not be able to enter capital project information into CBS for the 2003-05 biennium. However, you may begin using the 2003-05 Excel C100 at any time. CBS will contain an import feature that will allow the Excel C100 to be easily imported into it, removing the need for double-entry of data.

Additional enhancements of CBS are planned for early July 2002, including an updated pre-release edit report and a redefinition of the electronic release and edits.

If you have any questions about BASS, please contact the BASS Help Line at (360) 725-5278 or e-mail <u>BASS-Request@listserv.wa.gov < mailto:BASS-Request@listserv.wa.gov ></u>.

Budget Development System

The BASS (Budget & Allotment Support System) team will release the second version of the Budget Development System (BDS) on April 17, 2002. This version includes additional features, such as increased security, a new screen for decision package prioritization, and the ability to input additional yearly estimates for decision packages. Other reporting options, such as improved Object/Source of Funds Expenditure Summary and Decision Package Detail by Budget Level, will also be available.

Additional enhancements of BDS are planned for early July 2002. Two new reports will be introduced: An FTE and Fund Detail by Fiscal Year and a flexible Recommendation Summary. The July release will also include a redefinition of the electronic release edits and process.

Take Advantage of Just-In-Time Training

Training sessions will begin April 12, 2002, and will include courses in Building a Basic Budget, BDS Advanced Lessons, and BDS Decision Packages for Managers. Information on training classes and dates can be found on-line at http://www.ofm.wa.gov/training.htm.

Internal Revenue Service Training

The Internal Revenue Service (IRS) will be providing a **Taxable Fringe Benefits class on May 29** (Travel Issues) **and May 30** (Non Travel Issues) in the Olympia area.

This will be the only session provided by IRS this year and is open to all agencies.

Enroll on the OFM Training Website: http://www.ofm.wa.gov/training.htm

Contact Millie Lund by email millie.lund@ofm.wa.gov or (360) 664-7678 if there are questions concerning class content.

CMIA Recovers \$261,698 for the State



Each December, OFM submits the Cash Management Improvement Act (CMIA) Annual Report of state and federal interest liabilities for the state's previous fiscal year to the U.S. Department of the Treasury.

The CMIA governs cash draws for federal grants. It requires that the state's request and the federal government's payment for grants be "interest neutral."

It also provides for reimbursement to the state for direct costs associated with the calculation of interest liabilities.

The net federal liability due the state, claimed in the CMIA Annual Report for Fiscal Year 2001, amounted to \$261,698. The claim was approved, and the \$261,698 was remitted to the state by March 29, 2002.

We would like to thank the agency personnel who participated in the process of compiling the interest liability information for this report.

While no agency benefits directly from the outcome of the state's claim, the state as a whole is better off as a result of your efforts.

For further information, please contact Carolyn Stephens at (360) 664-7674 / carolyn.stephens@ofm.wa.gov.